

CRITICARE SYSTEMS INC /DE/
Form 10-Q
February 05, 2004

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934

For the quarterly period ended December 31, 2003

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number 1-31943

CRITICARE SYSTEMS, INC.

(Exact name of registrant as specified in its charter)

Delaware 39-1501563
(State or other jurisdiction (IRS Employer Identification No.)
of incorporation or organization)

20925 Crossroads Circle, Suite 100, Waukesha, Wisconsin 53186
(Address of principal executive offices) (Zip Code)

Registrant's telephone number including area code (262) 798-8282

N/A

Former name, former address and former fiscal year, if changed since last report.

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes No

Number of shares outstanding of each class of the registrant's classes of common stock as of December 31, 2003:
Class A Common Stock 11,277,541 shares.

CRITICARE SYSTEMS, INC.
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2003 AND JUNE 30, 2003

(UNAUDITED)

ASSETS	December 31, 2003	June 30, 2003
CURRENT ASSETS:		
Cash and cash equivalents	\$ 3,847,088	\$ 3,716,446
Accounts receivable, less allowance for doubtful accounts of \$350,000 and \$300,000, respectively	7,561,723	5,627,198
Other receivables	421,556	553,147
Inventories	5,951,460	6,347,208
Prepaid expenses	252,065	340,934
Total current assets	18,033,892	16,584,933
Property, plant and equipment net	2,079,728	2,093,408
License rights and patents net	80,485	83,986
TOTAL ASSETS	\$ 20,194,105	\$ 18,762,327
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	\$ 3,094,461	\$ 2,272,953
Accrued liabilities:		
Compensation and commissions	929,942	850,034
Product warranties	420,321	312,000
Other	305,492	254,470
Total current liabilities	4,750,216	3,689,457
OTHER LONG-TERM OBLIGATIONS	31,953	38,662
TOTAL LIABILITIES	4,782,169	3,728,119
STOCKHOLDERS' EQUITY:		
Preferred stock - \$.04 par value, 500,000 shares authorized		

no shares issued or outstanding		
Common stock - \$.04 par value, 15,000,000 shares authorized, 11,404,874		
shares issued, and 11,277,541 and 11,073,832 outstanding, respectively	456,195	448,161
Additional paid-in capital	23,703,918	23,360,244
Common stock held in treasury (127,333 and 130,192 shares, respectively)	(414,292)	(419,618)
Subscriptions receivable	(225,000)	(225,000)
Retained earnings (accumulated deficit)	(8,105,403)	(8,126,097)
Cumulative translation adjustment	(3,482)	(3,482)
	<u> </u>	<u> </u>
Total stockholders' equity	15,411,936	15,034,208
	<u> </u>	<u> </u>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 20,194,105	\$ 18,762,327
	<u> </u>	<u> </u>

See notes to consolidated financial statements.

2

CRITICARE SYSTEMS, INC.
CONSOLIDATED INCOME STATEMENTS
SIX MONTHS ENDED DECEMBER 31, 2003 AND 2002
(UNAUDITED)

	2003	2002
	<u> </u>	<u> </u>
NET SALES	\$ 15,352,694	\$ 15,353,953
COST OF GOODS SOLD	9,093,679	9,018,466
	<u> </u>	<u> </u>
GROSS PROFIT	6,259,015	6,335,487
OPERATING EXPENSES:		
Sales and marketing	3,372,216	3,341,298
Research, development and engineering	1,224,313	1,385,655
Administrative	1,725,051	2,088,761
	<u> </u>	<u> </u>
Total	6,321,580	6,815,714
LOSS FROM OPERATIONS	(62,565)	(480,227)
OTHER INCOME (EXPENSE):		
Interest expense		(91,533)
Interest income	20,749	28,528
Other	62,510	431,752

Total	83,259	368,747
INCOME (LOSS) BEFORE INCOME TAXES	20,694	(111,480)
INCOME TAX PROVISION		
NET INCOME (LOSS)	\$ 20,694	\$ (111,480)
NET INCOME (LOSS) PER COMMON SHARE:		
Basic	\$ 0.00	\$ (0.01)
Diluted	\$ 0.00	\$ (0.01)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING:		
Basic	11,098,339	11,071,264
Diluted	11,432,539	11,071,264

See notes to consolidated financial statements.

3

CRITICARE SYSTEMS, INC.
CONSOLIDATED INCOME STATEMENTS
THREE MONTHS ENDED DECEMBER 31, 2003 AND 2002
(UNAUDITED)

	2003	2002
NET SALES	\$ 8,980,277	\$ 9,049,606
COST OF GOODS SOLD	5,295,668	5,111,466
GROSS PROFIT	3,684,609	3,938,140
OPERATING EXPENSES:		
Sales and marketing	1,864,770	2,014,338
Research, development and engineering	623,721	756,715
Administrative	823,793	1,131,531
Total	3,312,284	3,902,584
INCOME FROM OPERATIONS	372,325	35,556
OTHER INCOME (EXPENSE):		
Interest expense		

Interest income	11,009	12,662
Other	29,090	131,953
	<u> </u>	<u> </u>
Total	40,099	144,615
INCOME BEFORE INCOME TAXES	412,424	180,171
INCOME TAX PROVISION		
	<u> </u>	<u> </u>
NET INCOME	\$ 412,424	\$ 180,171
	<u> </u>	<u> </u>
NET INCOME PER COMMON SHARE:		
Basic	\$ 0.04	\$ 0.02
Diluted	\$ 0.04	\$ 0.02
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING:		
Basic	11,121,941	11,069,846
Diluted	11,475,656	11,382,915

See notes to consolidated financial statements.

4

CRITICARE SYSTEMS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
SIX MONTHS ENDED DECEMBER 31, 2003 AND 2002

(UNAUDITED)

	2003	2002
	<u> </u>	<u> </u>
OPERATING ACTIVITIES:		
Net income (loss)	\$ 20,694	\$ (111,480)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation	282,897	453,725
Amortization	3,501	3,500
Provision for doubtful accounts	52,442	
Provision for obsolete inventory	353,103	(177,813)
Gain on sale of Immtech stock		(255,843)
Gain on sale of building		(41,208)
Changes in assets and liabilities:		
Accounts receivable	(1,986,967)	(875,230)
Other receivables	131,591	97,786
Inventories	17,700	(145,120)
Prepaid expenses	88,869	122,080

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Accounts payable	821,508	1,275,323
Accrued liabilities	232,542	146,219
Net cash provided by operating activities	17,880	491,939
INVESTING ACTIVITIES:		
Purchases of property, plant and equipment, net	(244,272)	(557,597)
Proceeds from sale of Immtech stock		255,843
Proceeds from sale of building		3,795,164
Net cash (used in) provided by investing activities	(244,272)	3,493,410
FINANCING ACTIVITIES:		
Retirement of long-term debt		(3,197,125)
Repurchase of Company common stock		(121,359)
Proceeds from issuance of common stock	357,034	13,364
Net cash provided by (used in) financing activities	357,034	(3,305,120)
EFFECT OF EXCHANGE RATE CHANGES ON CASH		268
NET INCREASE IN CASH AND CASH EQUIVALENTS		